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C O N F I D E N T I A L SECTION 01 OF 02 CONAKRY 000125

SIPDIS

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TAGS: PGOV PREL ASEC GV
SUBJECT: MINING COMPANIES CONCERNED ABOUT GOVERNMENT APPOINTMENTS

REF: A. CONAKRY 0102

- ¶B. 09 CONAKRY 0470
- ¶C. 09 CONAKRY 0436
- ¶D. 09 CONAKRY 0559

Classified By: Ambassador Patricia Moller for reasons 1.4 (b) and (d)

¶1. (C) SUMMARY: A/PolChief met with representatives of several mining companies over the past week to discuss how the transition is impacting Guinea's most lucrative industry. While the representatives seemed optimistic about Guinea's political future, they were universally disappointed by the re-appointment of Mahmoud Thiam as Minister of Mines (reftels A), stating that it would be difficult to fully restart programming with Thiam in place. In particular, many mining companies fear that Thiam, who is reportedly still working closely with junta President Dadis Camara, will use the transition period to guarantee contracts that will personally benefit CNDD members. END SUMMARY.

RIO TINTO "STILL HOLDING ON"

¶2. (C) Stephen Din, the Country Director of Rio Tinto, was optimistic about Guinea's long-term political future. However, he argued that the mining sector will continue to suffer during the transition period with Mahmoud Thiam at the head of the Ministry of Mines (MOM). As such, Rio Tinto would continue to "hold on" and wait for the elected government to take power. According to Din, the re-appointment of Mahmoud Thiam as Minister of Mines shows that the old CNDD guard maintains significant influence over governmental affairs. Referring to Thiam as a "CNDD hack," Din believes that the Minister will use the next six months to ensure that companies like the Chinese International Fund (CIF) and Israeli mining company BSG Resources (BSGR) (reftels B & C) are able to secure their contracts in return for bribes.

¶3. (C) Din said that Thiam, an American citizen and former Vice President of UBS in New York, has personally benefited from promoting CIF and BSGR, as evidenced by his recent purchase of a \$3 million property in New York. Thiam is allegedly working with the CIF to ensure that China Sonangol obtain a large portion of Guinea's offshore oil exploration mileage. With this mileage, the CIF plans to create a Sino-Guinean oil company (reftel D). According to several sources, including Din, Thiam is aiming to eventually be appointed President of the Company after the transition period. Din said that before the formation of the new government, several rumors circulated that Thiam would be removed from his job. However, Din said that people now believe that Dadis influenced Konate and PM Jean Marie Dore

to keep him in the government. In this context, Din said that Rio Tinto is hesitant to dramatically increase their exploration efforts which they scaled down considerably in 2009.

GAC MAY RAMP UP CONSTRUCTION AND EXPLORATION EFFORTS

14. (C) In a separate meeting with A/PolChief, Yero Balde, a project manager for Guinea Alumina and a rising member of the Forces Vives, confirmed Din's concerns about Thiam and the transition period. Balde said he was surprised by Thiam's re-appointment as Minister of Mines, and sees it as a sign that Dadis still holds considerable influence over the transition government. (Note: Prior to the formation of the new government, Balde's name was circulated as a potential appointment for Thiam's position. END NOTE.) Balde confirmed Din's belief that Thiam was appointed in order to ensure that CNDD negotiated mining contracts were guaranteed in the new government.

15. (C) Though GAC slowed their exploration and construction activities significantly in 2009 due to the global economic crisis, they plan to ramp up their mining efforts over the next six months. According to Balde, GAC is confident that that the transition will provide a more stable investment climate than that created under the CNDD.

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DADIS STILL INVOLVED

16. (C) Representatives from BHP Billiton and Newmont mining both discussed the lingering influence of Dadis and the CNDD within the GOG. According to both companies, Mahmoud Thiam is working closely with Dadis to ensure that deals that provide kickbacks to the leader and his CNDD compatriots are assured throughout the transition. BSGR, for example, was recently awarded a government approval for moving their supplies out through Liberia rather than Guinea, saving the company millions of dollars in the short-term. According to several contacts in the business sector, BSGR bribed Dadis and Thiam to acquire preferential treatment. Representatives from BHP and Newmont also claim that Burkinabe president Blaise Compaore has vested interest in several deals in Guinea which influenced the appointment of Thiam and several other key economic ministries.

COMMENT

17. (C) Mining companies sustained considerable losses in 2009 due to severe government harassment and the global economic crisis. According to many mining companies in Guinea, there are brighter days in the future - though most likely not until a democratic government is in power. During the transition period, it will be significant to watch if Thiam and other CNDD minister holdovers are able to exert the financial control that they are reportedly intending to wield.

Moller